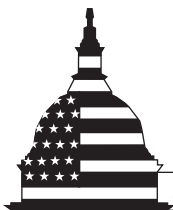


February 2011

DEFENSE HEALTH**Management
Weaknesses at
Defense Centers of
Excellence for
Psychological Health
and Traumatic Brain
Injury Require
Attention****G A O**Accountability * Integrity * Reliability

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Why GAO Did This Study

The Defense Centers of Excellence for Psychological Health and Traumatic Brain Injury (DCOE) was established to lead DOD's effort to develop excellence in DOD prevention, outreach, and care for those with psychological health and traumatic brain injury conditions. GAO was asked to report on (1) challenges DCOE has faced in its development; (2) the extent to which DCOE's strategic plan aligns with key practices used by leading public-sector organizations; and (3) the extent to which internal controls provide reasonable assurance that DCOE information on financial obligations is reliable for management decision making. GAO reviewed documentation and interviewed DCOE officials about DCOE development challenges, evaluated DCOE's strategic plan against practices used by leading public-sector organizations, assessed the design of internal controls for recording obligations, and tested fiscal year 2009 DCOE obligations to supporting documentation to determine if the obligations were properly classified.

What GAO Recommends

GAO recommends that DCOE take steps to improve its strategic plan, and that TMA develop, implement, and maintain written procedures for proper classification and recording of DCOE obligations. While DOD said it concurred with GAO's five recommendations, GAO believes that its stated actions do not fully address the intent of two of the recommended actions.

View [GAO-11-219](#) or key components. For more information, contact Randall A. Williamson at (202) 512-7114 or williamsonr@gao.gov or Asif A. Khan at (202) 512-9869 or khana@gao.gov.

DEFENSE HEALTH

Management Weaknesses at Defense Centers of Excellence for Psychological Health and Traumatic Brain Injury Require Attention

What GAO Found

DCOE's development has been challenged by a mission that lacks clarity and by time-consuming hiring processes. GAO found that DCOE's strategic plan does not reflect a clear mission because it does not indicate whether statutory responsibilities—in the form of the plan's subgoals that support the mission—are designated a higher completion priority than other subgoals. Some DCOE officials told GAO that DCOE leadership has not focused or prioritized DCOE's mission, and told GAO that the lack of clarity in DCOE's mission hampered DCOE's ability to move forward. GAO has found that defining a clear mission that brings the organization into focus is a step commonly taken by organizations seeking to become more results-oriented. Further, DCOE officials cited administrative processes that slowed the hiring of DCOE personnel and resulted in DCOE's heavy reliance on contractors. DCOE has taken steps to shorten the hiring process, but is still hindered by DOD-managed hiring processes that took on average 119 days through July 2010.

DCOE's strategic plan aligns with some key practices for strategic planning and results-oriented management used by leading public-sector organizations, but the plan has two areas of weakness in which it does not align with key practices. Specifically, the plan's management reviews, intended to align activities, resources, and goals, are insufficient to ensure that its daily activities are aligned with its mission and goals, and the plan does not fully describe how meeting its performance measures would help DCOE assess attainment of its goals. These gaps in DCOE's strategic planning may hinder DCOE's effort to execute its activities to meet its goals, measure its progress toward fulfilling its goals, and deliver results for its programs.

TRICARE Management Activity (TMA), which obligates funds for DCOE, had not developed written policies and procedures to ensure proper recording of obligations, and GAO found that TMA had not properly classified most of DCOE's fiscal year 2009 contract obligations. *Internal Control Standards* require written documentation of internal control. GAO's tests of DCOE obligations showed that while TMA properly recorded the date and amount of the obligations, it did not properly classify \$102.7 million (91 percent) of DCOE's advisory and assistance contract obligations. The Office of Management and Budget (OMB) provides guidance for properly classifying obligations to object class—a uniform system for identifying government transactions by the nature of the goods or services purchased. DOD's *Financial Management Regulation* requires compliance with OMB guidance. However, TMA relied on guidance issued by another DOD agency that was inconsistent with OMB guidance. Improper classification of obligations could have significant consequences, particularly in light of Defense Efficiency Initiatives, which are intended to cut \$100 billion in DOD spending, including spending on advisory and assistance services contracts, over the next 5 years. While steps have been taken to align object classification procedures with OMB guidance for fiscal year 2011, TMA has not yet developed written procedures for reviewing obligation data, nor has it established formal responsibility for updating procedural guidance and system codes.

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Abbreviations

ASD(HA)	Assistant Secretary of Defense (Health Affairs)
DCOE	Defense Centers of Excellence for Psychological Health and Traumatic Brain Injury
DFAS	Defense Finance and Accounting Service
DOD	Department of Defense
FAR	Federal Acquisition Regulation
FMR	Financial Management Regulation
GPRA	Government Performance and Results Act of 1993
NDAA	National Defense Authorization Act
NSPS	National Security Personnel System
OMB	Office of Management and Budget
OUSD(C)	Office of the Under Secretary of Defense (Comptroller)
PH	psychological health
PTSD	post-traumatic stress disorder
R&D	research and development
SBIR	Small Business Innovation Research
TBI	traumatic brain injury
TMA	TRICARE Management Activity
VA	Department of Veterans Affairs
WHS	Washington Headquarters Services

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United States Government Accountability Office
Washington, DC 20548

February 28, 2011

Congressional Requesters

U.S. forces serving in Iraq and Afghanistan have engaged in intense and prolonged conflict, which has resulted in psychological health (PH) conditions for some servicemembers and veterans. Additionally, traumatic brain injury (TBI) has emerged as a leading injury among those serving in Iraq and Afghanistan, due in part to the increased likelihood of exposure to blasts. Questions have been raised by Congress and the media about whether the Department of Defense (DOD) and the Department of Veterans Affairs (VA) are prepared to meet the health care needs of the increasing number of servicemembers and veterans. For example, media attention surfaced surrounding the February 2007 disclosure of deficiencies in outpatient services at the Walter Reed Army Medical Center, following an investigation by *The Washington Post*.¹

In the aftermath of this disclosure of deficiencies, various review groups, task forces, and commissions investigated the care and benefits provided to servicemembers and veterans by DOD and VA.² These review groups made more than 400 recommendations to DOD and VA, including those specifically aimed at improving care for PH and TBI. Additionally, the National Defense Authorization Act (NDAA) for Fiscal Year 2008 required DOD to create centers of excellence on TBI and post-traumatic stress disorder (PTSD) and other mental health conditions.³ Congress charged

¹Dana Priest and Anne Hull, "Soldiers Face Neglect, Frustration At Army's Top Medical Facility," *Washington Post* (Feb. 18, 2007).

²The reports include: Independent Review Group, *Rebuilding the Trust: Report on Rehabilitative Care and Administrative Processes at Walter Reed Army Medical Center and National Naval Medical Center* (April 2007); Task Force on Returning Global War on Terror Heroes, *Report to the President* (April 2007); Department of Defense Task Force on Mental Health, *An Achievable Vision: Report of the Department of Defense Task Force on Mental Health* (June 2007); President's Commission on Care for America's Returning Wounded Warriors, *Serve, Support, Simplify* (July 2007); Veterans' Disability Benefits Commission, *Honoring the Call to Duty: Veterans' Disability Benefits in the 21st Century* (October 2007); and Inspectors General, Department of Defense, Department of Veterans Affairs, *DOD/VA Care Transition Process for Service Members Injured in OIF/OEF* (Operation Iraqi Freedom/Operation Enduring Freedom) (June 2008).

³Pub. L. No. 110-181, §§ 1621-1622, 122 Stat. 3, 453-55 (2008). The same law required that DOD create a center of excellence for military eye injuries. See Pub. L. No. 110-181, § 1623, 122 Stat. 455-57. Post-traumatic stress disorder is a mental health condition. In this report, we use the terms mental health and psychological health interchangeably.

the centers of excellence with numerous functions related to mental health conditions and TBI—for example, to provide for the development, testing, and dissemination of best practices within DOD for the treatment of PTSD and TBI. To respond to the recommendations of these review groups and in anticipation of the enactment of statutory provisions regarding centers of excellence, in November 2007 DOD established the Defense Centers of Excellence for PH and TBI (DCOE) to lead DOD’s effort to develop excellence in its prevention, outreach, and care for those with these conditions. TRICARE Management Activity (TMA)⁴ is responsible for administering funds allocated to DCOE and other PH and TBI programs, which includes the proper recording of obligations of those funds.⁵

A congressional subcommittee hearing in April 2010 brought to light serious management missteps that called into question DCOE’s ability to fulfill its functions,⁶ and concerns have been raised by congressional committees that DCOE faces several challenges in its development, including strategic planning and financial management. Further, congressional committees have expressed interest in how DCOE has used strategic planning to clearly define its mission. Finally, DCOE has had three directors in 2010,⁷ resulting in a lack of continuity in leadership.

We have reported that leading public-sector organizations become more results-oriented by engaging in strategic planning consistent with practices described in the Government Performance and Results Act of 1993, as

⁴TRICARE Management Activity was established in 2001 under Department of Defense Directive No. 5136.12 as a defense field activity of the Under Secretary of Defense for Personnel and Readiness that operates under the authority, direction, and control of the Assistant Secretary of Defense for Health Affairs. The Secretary of Defense is authorized to establish defense field activities to perform supply or service activities that are common to more than one military department. See 10 U.S.C. § 191. Governance requirements for such activities are prescribed by 10 U.S.C. § 192 and include periodic program and budget reviews. TRICARE Management Activity leadership manages the TRICARE health care program for active- duty members and their families, retired service members and their families, National Guard / Reserve members and their families, survivors, and others eligible for DOD medical care.

⁵Obligation of funds means legally committing them for the payment of goods and services ordered or received.

⁶Statement of Chairwoman Susan Davis, Military Personnel Subcommittee, House Armed Service Committee (Apr. 13, 2010).

⁷DCOE’s first director resigned in June 2010 and was replaced by an acting director, who was reassigned in September 2010.

amended (GPRA).⁸ GPRA specifies a set of components that are required for federal agencies' plans. Although DCOE is not an agency under GPRA, we have found in past work on leading public-sector organizations that organizations like DCOE can benefit from strategic planning consistent with GPRA.⁹ For example, we have found that leading public-sector organizations commonly (1) define clear missions and desired outcomes; (2) measure performance to gauge progress; and (3) use performance information as a basis for decision making, all steps consistent with GPRA requirements.

Additionally, organizations may improve their ability to achieve performance and financial management goals and minimize operational problems by implementing appropriate internal controls. We have issued standards for internal control in government¹⁰ to provide, among other things, reasonable assurance that financial information is reliably reported. Control activities, one of the five standards for internal control, are the policies, procedures, techniques, and mechanisms that enforce management's directives, such as the process of adhering to requirements for budget execution. Control activities are an integral part of an entity's accountability for government resources and achieving effective results.

You asked us to examine DCOE's strategic planning and financial management. In this report, we address the following questions:

1. What challenges has DCOE faced in its development?
2. To what extent does DCOE's strategic plan align with key practices for strategic planning that are used by leading public-sector organizations?
3. To what extent do internal controls provide reasonable assurance that DCOE information on financial obligations is reliable for management decision making?

⁸Pub. L. No. 103-62, 107 Stat. 285 (1993), codified, in part and as amended, in scattered sections of titles 5, 31, and 39 of the U.S. Code.

⁹GAO, *Executive Guide: Effectively Implementing the Government Performance and Results Act*, [GAO/GGD-96-118](#) (Washington, D.C.: June 1996). For this report, GAO studied a number of leading public-sector organizations that were successfully becoming more results-oriented, including state governments such as Florida, Texas, and Virginia; and foreign governments such as Australia and the United Kingdom.

¹⁰GAO, *Internal Control: Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

To determine the challenges that DCOE has faced in its development, we interviewed DCOE and other officials about DCOE's development. Because DCOE is an operating entity within TMA and organizationally located in the Office of the Assistant Secretary of Defense (Health Affairs) (ASD(HA)), we also interviewed the Deputy Director of TMA and the Acting Principal Deputy ASD(HA). From these interviews, we identified a number of challenges faced by DCOE. To better understand the scope and origin of these challenges as well as DCOE's responses, we obtained documents related to the challenges, such as the evolution of DCOE's mission, governance, and staffing. We grouped the challenges into 13 categories and sent this list in a follow-up document to DCOE and DOD officials. The document asked recipients to identify the three challenges that have had the most significant effect on DCOE's development. On the basis of these responses, we conducted a second round of interviews asking DCOE and DOD officials about the effects of challenges on DCOE, and obtained further information on DCOE's response to the challenges. Following review of additional evidence to gain a better understanding of these challenges, we framed DCOE's responses for reporting purposes.

To evaluate the extent to which DCOE's strategic plan aligns with key practices for strategic planning used by leading public-sector organizations, we assessed DCOE's strategic plan using GPRA. Although DCOE is not required to comply with GPRA, we have found in past work that organizations like DCOE can benefit from strategic planning consistent with GPRA.¹¹ We reviewed documents constituting DCOE's strategic plan, specifically the (1) *Campaign Plan for DCOE Operations and Activities: 2010-2016 (Campaign Plan)*; (2) the *Defense Centers of Excellence for Psychological Health and Traumatic Brain Injury Concept of Operations (Concept of Operations)*; and (3) DCOE's fact sheets.¹² The *Campaign Plan* describes DCOE's mission, goals, subgoals, and related performance measures for 2010 through 2016. DCOE's goals are aligned with specific subgoals. Each subgoal has one or more performance measures to assess achievement of that subgoal. The *Concept of Operations* describes DCOE's major functions. DCOE's fact sheets describe its day-to-day activities, and staff and funding required for those

¹¹[GAO/GGD-96-118](#).

¹²DCOE's fact sheets are to describe, among other things, DCOE's activities, budget, staffing, stakeholders, and contracts. The *Campaign Plan* and *Concept of Operations* are dated June 2010; the fact sheets range in date from December 2009 to January 2010.

activities.¹³ Further, we interviewed DCOE officials, including those involved in the early planning efforts for DCOE.

To determine whether TMA had designed appropriate policies and procedures to help ensure that DCOE information on financial obligations is reliable for management decision making, we reviewed internal control criteria related to reliable reporting of financial data as defined in GAO's *Standards for Internal Control in the Federal Government and Internal Control Management and Evaluation Tool*.¹⁴ We performed walk-throughs¹⁵ of TMA processes for recording financial obligations and interviewed TMA and DCOE officials about their financial management processes and procedures used to obligate DCOE funds. We identified criteria in Office of Management and Budget (OMB) Circular No. A-11, *Preparation, Submission, and Execution of the Budget*¹⁶ for classifying obligations by object class—a uniform classification system for identifying federal agency transactions based on the nature of goods and services purchased. To determine whether DCOE program obligations were properly classified and accurately recorded, we tested approximately 95 percent of the total dollars of TMA-recorded DCOE obligations for fiscal year 2009, including 100 percent of obligations related to contracts, by comparing recorded obligations to OMB Circular No. A-11 guidance for classifying obligations by object class and testing contractual obligations to provisions in supporting contract documents.¹⁷ Appendix II provides further details on our scope and methodology.

We conducted this performance audit from January 2010 through February 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for

¹³ DCOE's strategic plan is consistent with, and supports, DOD's Military Health System Strategic Plan.

¹⁴ [GAO/AIMD-00-21.3.1](#) and *Internal Control Standards: Internal Control Management and Evaluation Tool*, [GAO-01-1008G](#) (Washington, D.C.: August 2001).

¹⁵ In performing a walk-through, an auditor follows a transaction from origination through an agency's processes, including information systems, until it is reflected in the financial records, using the same documents and information technology that the agency staff use.

¹⁶ OMB, Circular No. A-11, *Preparation, Submission, and Execution of the Budget*, pt. 2, sec. 83 (Washington, D.C., July 21, 2010).

¹⁷ Fiscal year 2009 was the most recently completed fiscal year for which data were available at the time we initiated our audit.

our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

DCOE was established in November 2007 as an operating entity within TMA, which is organizationally located in the Office of the ASD (HA). DCOE's mission is to assess, validate, oversee, identify, and facilitate prevention, resilience, screening, treatment, outreach, rehabilitation, and reintegration programs for PH and TBI to ensure DOD meets the needs of the nation's warriors, families, and military communities. DCOE does not have the authority to establish policies governing DOD health and medical programs in the military services, but may make recommendations to the ASD (HA), who does have the authority to issue such policies.

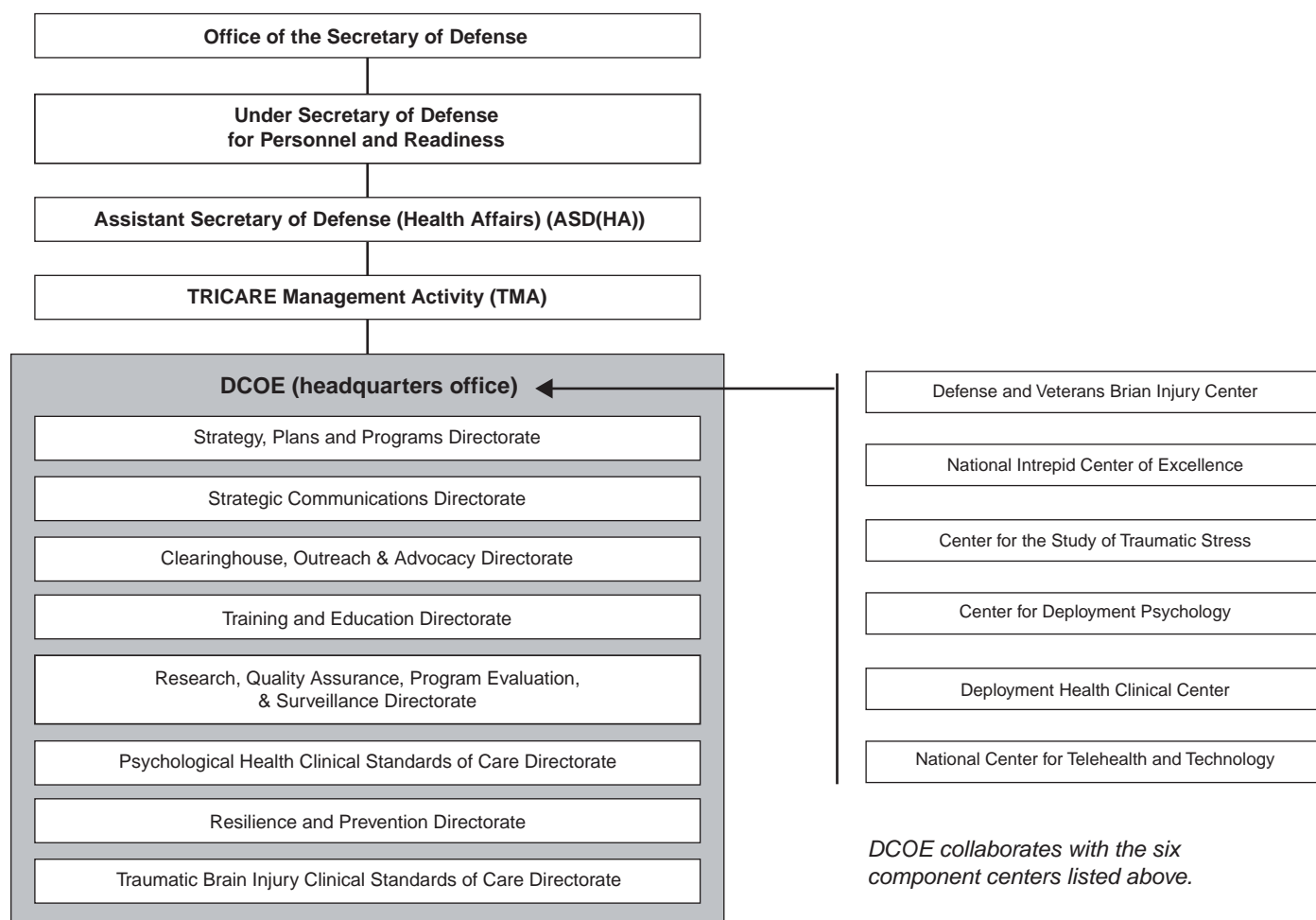
DCOE's Organization

DCOE comprises a headquarters office with eight directorates. These directorates carry out a range of activities related to PH and TBI, including operating a call center; disseminating information on DOD training programs, and clinical practice guidelines related to PH and TBI; and identifying areas in PH and TBI that require additional research.

DCOE also collaborates with six DOD component centers that have responsibilities related to PH and TBI. Four of these component centers pre-existed DCOE's creation in November 2007.¹⁸ The component centers' responsibilities include training professionals who screen or treat those affected by PH, developing telehealth and technology services for PH and TBI, treating those affected by PH and TBI, and conducting research on PH and TBI. Figure 1 presents an organizational chart that shows DCOE's alignment within DOD, as well as the component centers.

¹⁸For the purpose of this report we define DCOE as comprising its headquarters and eight directorates.

Figure 1: Organization of Defense Centers of Excellence for Psychological Health and Traumatic Brain Injury



Source: GAO analysis of DOD data.

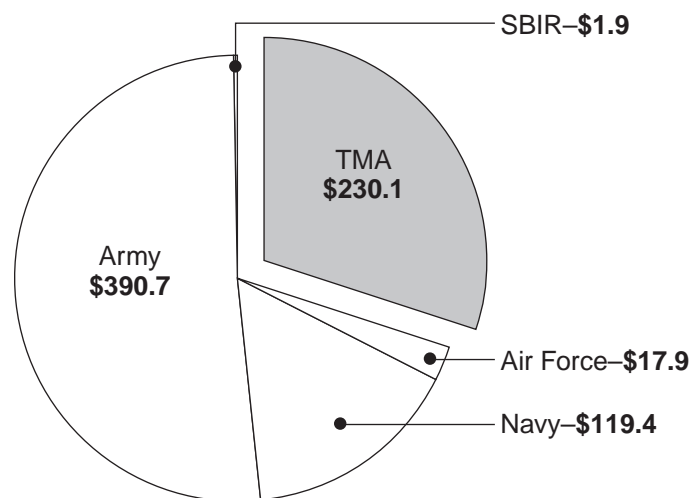
DCOE Funding and Obligations

In fiscal year 2009, DOD allocated \$770 million of funds it designated for PH and TBI to TMA's Program Budget and Execution Office. As shown in figure 2, TMA's Program Budget and Execution Office further allocated \$760 million of the PH and TBI funding among the Army, the Navy, the Air Force, TMA's Financial Operations Division, and a statutory DOD Small

Business Innovation Research (SBIR) program.¹⁹ Of the \$770 million allocated by DOD, \$10 million was transferred to the Army for its suicide prevention and mitigation program.

Figure 2: TRICARE Management Activity Allocation of Psychological Health and Traumatic Brain Injury Funding as of September 30, 2009

Dollars in millions



Source: GAO analysis of TMA data.

Note: TMA in this figure refers to TMA's Financial Operations Division.

The \$230.1 million suballocation to TMA's Financial Operations Division for fiscal year 2009 included funds for DCOE, the component centers,²⁰ and other PH and TBI programs. From the \$230.1 million, TMA recorded obligations—legal commitments for the payment of goods and services ordered or received—for DCOE and the component centers amounting to \$119.2 million. The remaining \$110.9 million was either obligated by TMA's Financial Operations Division for other PH and TBI programs or returned to TMA's Program Budget and Execution Office for reallocation to the

¹⁹ 15 U.S.C. § 638(f) and (g) require DOD and certain other federal agencies to establish a Small Business Innovation Research (SBIR) program and administer its own SBIR funding agreements (or delegate such administration to another agency).

²⁰ TMA is not the only source of funding for the component centers, nor are the component centers' activities related to PH and TBI limited to those obligated by TMA.

Army, the Navy, and the Air Force PH and TBI programs or to be used in fiscal year 2010.²¹

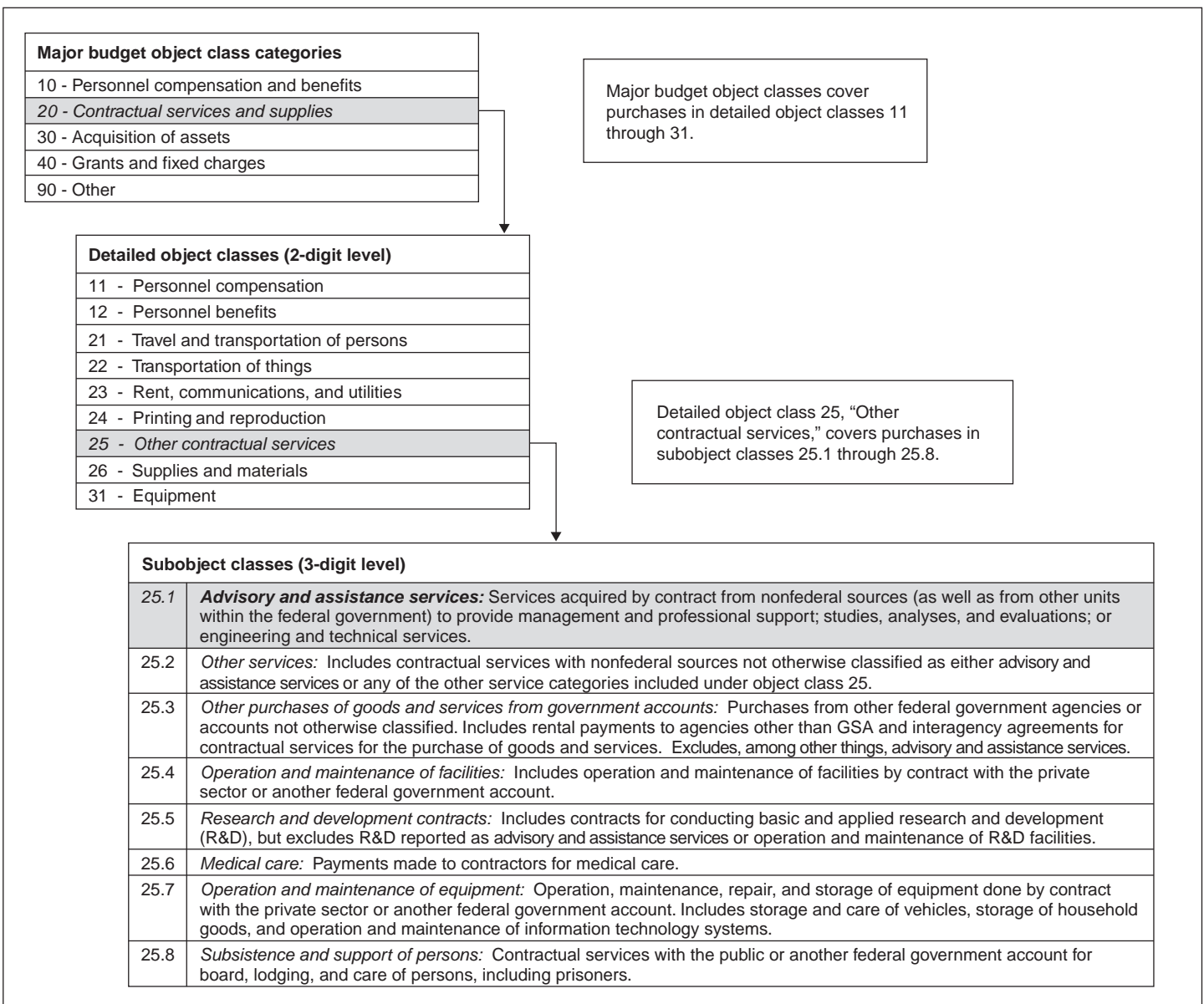
Since DCOE's inception in November 2007, TMA's Financial Operations Division has centrally managed DCOE obligations. To account for the use of budgetary resources, TMA, like other federal agencies, uses obligational accounting. Obligational accounting involves the accounting systems, processes, and people involved in collecting financial information necessary to control, monitor, and report on all funds made available to federal entities by legislation. It is through obligational accounting that agencies ensure compliance with fiscal laws, including the Anti-Deficiency Act and statutes related to the purpose and period of availability of appropriations.²² The majority of DCOE obligations were classified as "other contractual services." Figure 3 illustrates the classification of contract obligations and more specifically, advisory and assistance services obligations within OMB's budget structure. Object class is the uniform classification system for identifying the federal government transactions by the nature of the goods or services purchased.²³

²¹TMA's Financial Operations Division received some multiyear procurement funding in fiscal year 2009.

²²Many fiscal statutes govern the purpose, amount, and time for which appropriated funds are available for obligation and expenditure. Many of these laws have been codified in Title 31 of the United States Code, particularly in chapters 13, 15, and 33. These chapters contain the laws known commonly as the Anti-Deficiency Act (31 U.S.C. §§ 1341-42, 1349-52, 1511-19), the Recording statute (31 U.S.C. § 1501(a)), the Miscellaneous Receipts statute (31 U.S.C. § 3302(b)), the Purpose statute (31 U.S.C. 1301(a)), the *Bona Fide* Needs statute (31 U.S.C. 1502(a)), and the provisions that govern the closing of appropriations accounts (31 U.S.C. §§ 1551-58). Many other governmentwide and agency-specific provisions of permanent law govern the use of federal funds, such as the Adequacy of Appropriations Act (41 U.S.C. § 11).

²³See 31 U.S.C. § 1105(g), 10 U.S.C. § 2212, and related guidance in OMB Circular No. A-11 and *Federal Acquisition Regulation* (FAR) 2.101(b), promulgated at 48 C.F.R. § 2.101(b).

Figure 3: OMB Classification Structure for Reporting Contract Obligations, Including Advisory and Assistance Services Contract Obligations



Source: GAO analysis of OMB Circular No. A-11 guidance.

We previously reported that our review of \$14 billion in fiscal year 2006 advisory and assistance services contract obligations reported by five civilian agencies and five DOD agencies found that these agencies'

obligation data were inaccurate.²⁴ To address the long-standing problems agencies face in reporting advisory and assistance services obligations, our 2008 report stated that Congress should consider re-evaluating the need for agencies to report advisory and assistance services funding separately to OMB, recognizing that advisory and assistance services contracts are not managed any differently than other professional management support contracts. We also suggested that if specific insights into advisory and assistance services contracts were desired, Congress should consider clarifying the statutory definition of advisory and assistance services to more explicitly address congressional concerns related to these types of contracts and require the Administrator of the Office of Federal Procurement Policy to reinstate data collection for advisory and assistance services contracts in the Federal Procurement Data System—Next Generation using the revised definition. As of the date of this report, the object classification and reporting requirements in 10 U.S.C. § 2212, and guidance in the FAR have not been changed.²⁵

DCOE Development Challenged by Lack of Clarity in Mission and Time-consuming Administrative Hiring Processes

The lack of clarity in DCOE's mission and slowness in hiring staff have been challenges in the entity's development. DCOE officials told us that DCOE leadership has not focused or prioritized DCOE's mission, and according to one official, it seemed like DCOE moved forward in every direction simultaneously rather than focusing on certain clearly defined responsibilities. We found that DCOE's mission, reflected in its strategic plan in the form of subgoals that support the mission, included responsibilities required by law, as well as additional responsibilities. However, DCOE's strategic plan does not clarify whether responsibilities required by law—in the form of the plan's subgoals—assume a higher priority than other subgoals. As a result, DCOE's strategic plan does not reflect a clear mission that focuses the organization on its statutory responsibilities. Further, some administrative processes slowed the hiring of DCOE personnel, which some officials said resulted in DCOE's heavy reliance on contract personnel. DCOE has taken steps to shorten the hiring process but is reliant on other entities and DOD-level hiring reforms to make further progress.

²⁴GAO, *Federal Contracting: Congressional Action Needed to Address Long-standing Problems with Reporting of Advisory Assistance Services*, [GAO-08-319](#) (Washington, D.C.: Mar. 31, 2008).

²⁵FAR 2.101(b).

Lack of Clarity in Mission Has Been a Challenge in DCOE's Development

The lack of clarity in DCOE's mission, according to DCOE officials, has hampered the organization's ability to move forward. We found that DCOE's mission, reflected in its strategic plan in the form of subgoals that support the mission, included responsibilities required by law, recommendations for DOD made by various review groups investigating DOD and VA care, and several others created by DCOE itself. For example, some of these subgoals created by DCOE include deploying an automated screening and outcomes assessment product throughout DOD and creating a PH database or tracking system, or both, for patients who have experienced PH concerns. DCOE's strategic plan does not clarify whether the plan's subgoals that reflect statutory responsibilities are designated a higher completion priority than other subgoals. As a result, DCOE's strategic plan does not reflect a clear mission that focuses the organization on its statutory responsibilities.

DOD and DCOE leaders did not sufficiently focus or prioritize DCOE's mission, according to some DCOE officials. Defining a clear mission that brings the organization into focus is a step commonly taken by organizations seeking to become more results-oriented.²⁶ In four congressional subcommittee testimonies, DCOE's first director and the ASD(HA) characterized DCOE as DOD's "open front door for all concerns related to PH and TBI,"²⁷ suggesting that DCOE's mission was to address all issues related to PH and TBI across DOD. These statements do not reflect a clear focus for DCOE. In keeping with the "open front door" characterization of its mission, one official told us that there was an initial

²⁶GAO, *Executive Guide: Effectively Implementing the Government Performance and Results Act*, [GAO/GGD-96-118](#) (June 1996).

²⁷Testimony by Colonel Loree K. Sutton, Special Assistant to the ASD(HA) for PH and TBI, before the Personnel Subcommittee of the U.S. Senate Armed Services Committee, (Mar. 5, 2008), *Findings and Recommendations of the Department of Defense Task Force on Mental Health, the Army's Mental Health Advisory Team Reports, and Department of Defense and Service-wide Improvements in Mental Health Resources, Including Suicide Prevention for Servicemembers and their Families*; Testimony by The Honorable S. Ward Casscells, M.D., ASD (HA), before the Subcommittee on Military Personnel, U.S. House Armed Services Committee, March 14, 2008, *Military Health Issues* (Mar. 14, 2008); Testimony by General Loree Sutton, Special Assistant to the ASD (HA) for PH and TBI, before the Defense Subcommittee of the U.S. House Appropriations Committee, March 3, 2009, *Psychological Health and Traumatic Brain Injury Programs* (Mar. 3, 2009); and Testimony by Loree K. Sutton, Director, Defense Centers of Excellence for Psychological Health and Traumatic Brain Injury, before the Personnel Subcommittee of the U.S. Senate Armed Services Committee, *Testimony on the Incidence of Suicides of United States Servicemembers and Initiatives within the Department of Defense to Prevent Military Suicides* (Mar. 18, 2009).

lack of clarity about DCOE's mission both internally and externally and that the military services still grapple with understanding DCOE's mission. According to this same official, it seemed like DCOE moved forward in every direction simultaneously rather than focusing on clearly defined responsibilities, creating a hindrance to DCOE's moving forward in a goal-directed way. Another official noted that DCOE had trouble setting priorities and that priorities were always shifting. A third official thought that DCOE's efforts to be all things PH and TBI resulted in people not having a clear sense of what DCOE did.

DCOE Officials Cited Slowness in Hiring as a Major Challenge in DCOE's Development

DCOE officials cited several administrative processes that slowed hiring as a major challenge in DCOE's development. According to DCOE officials, slowness in hiring was the reason for DCOE's heavy reliance on contractors.²⁸ DOD's fiscal year 2010 competitive²⁹ hiring cycle time through the third quarter was 119 days, according to DOD.³⁰

In an effort to shorten TMA's hiring cycle time, DCOE officials recently took two actions.³¹ First, in May 2010, DCOE received TMA authorization to negotiate on the salary of potential hires. Now, DCOE has the latitude to negotiate directly with potential hires, which, according to a DCOE official, eliminates as much as a month of delay caused by having TMA involved in salary negotiation. Second, DCOE recently began using its authority to establish a reporting-for-duty date before candidates' drug test results are received, with the final decision to hire contingent on the test results. DCOE officials estimate that this step shortens the hiring process by 1 week.

²⁸A DCOE official told us that as of March 2010, about 65 percent of DCOE's positions were filled by contractors with plans to increasingly replace them with federal civilian employees.

²⁹Competitive, as used here, refers to competitive civil service jobs subject to civil service laws that help ensure that applicants and employees receive fair and equal treatment in the hiring process.

³⁰According to comments we received on February 2, 2011, from the Acting Principal Deputy, Assistant Secretary of Defense (Health Affairs) on a draft of this report, DCOE's hiring cycle time is currently averaging 252 days. The comments did not provide documentation to support this figure.

³¹TMA's Human Resources office develops TMA's human capital policies subject to civil service laws and regulations and Office of Personnel Management and DOD guidance.

However, DCOE relies on other entities in four out of five steps in the recruitment and hiring processes, hampering DCOE's ability to shorten the process. Also, TMA and other DOD human capital personnel are in the process of transitioning 226,000 DOD employees from the National Security Personnel System back to the General Schedule system.³² While this has resulted in some delays in DCOE's hiring process, DOD simultaneously is taking other steps to reduce hiring cycle time. For example, in response to hiring reform initiatives directed by the Office of Personnel Management,³³ DOD is changing procedures throughout the department's recruitment and hiring processes. As a result of these changes, DOD hopes to achieve an 80-day competitive hiring cycle time for all hires, which would include DCOE hires, by the end of fiscal year 2012.

DCOE's Strategic Plan Aligns with Some Key Practices for Strategic Planning, but Gaps Remain with Respect to Management Review and Performance Measurement

DCOE's strategic plan aligns with some key practices for strategic planning used by leading public-sector organizations, but the plan has two areas of weakness. Specifically, the plan's management reviews, intended to better align its activities, resources, and goals, are insufficient to ensure that its daily activities are aligned with its mission and goals, and the plan does not fully describe how meeting its performance measures would help DCOE assess attainment of its goals. These gaps in DCOE's strategic planning may hinder DCOE's effort to plan and execute its activities to fulfill its mission and goals, measure its progress toward achieving its goals, and deliver results for servicemembers and veterans with PH and TBI conditions.

³²The National Defense Authorization Act for Fiscal Year 2010, signed into law on October 28, 2009, directed the Secretary of Defense to take necessary actions to provide for the orderly termination of the National Security Personnel System (NSPS) and conversion of all NSPS employees and positions from NSPS by not later than January 1, 2012. Pub. L. No. 111-84, § 1113(c), 123 Stat. 2190, 2498-99 (2009). DOD's goal was to transition the majority (approximately 75 percent) of NSPS employees and positions to the General Schedule classification and pay system during fiscal year 2010.

³³Examples of the hiring initiatives include eliminating essay-related questions from initial applications, requiring agencies to shorten their hiring time line to 80 days, and the use of lists maintained by the Office of Personnel Management to refer qualified applicants to federal agencies for some of the most common occupations in the federal government.

DCOE’s Strategic Plan Describes Management Reviews Intended to Align Day-to-Day Activities with Mission and Goals, but These Reviews as Conducted Are Insufficient

DCOE’s current strategic plan does not consistently describe how its activities support its mission and goals, and the reviews intended to better align activities with mission and goals are insufficient. The plan describes management reviews intended to better align its activities, resources, and goals. As described, these management reviews are consistent with leading practice, which states that strategic plans should contain an approach to align an organization’s activities and resources to support the organization’s mission and goals. However, the reviews have not been carried out as described in the plan, and are insufficient because DCOE’s directorates have not fully demonstrated how their day-to-day activities support DCOE’s goals.

DCOE’s strategic plan contains goals, and each goal is aligned with one or more subgoals. See table 1.

Table 1: Example of Goal and Associated Subgoals in Defense Centers of Excellence for Psychological Health and Traumatic Brain Injury’s Strategic Plan

Goal	Subgoal
Facilitate improved access to psychological health and traumatic brain injury quality care for warriors, families and military communities regardless of service, component, status or geographic location.	Collaborate with the Department of Veterans Affairs for PH screening measures and processes.
	Collaborate with VA for TBI screening measures and processes.
	Determine how distance learning technologies can be used to address the needs of distributed audiences (e.g., National Guard and Reserve servicemembers), transcending state and local resource constraints.

Source: DCOE.

While DCOE’s strategic plan describes the organization’s day-to-day activities, it does not consistently document how these activities specifically support DCOE’s goals and subgoals. For example, in more than one instance, the plan describes a set of activities as supporting the “mission, goals, objectives, and campaigns of DCOE and its component centers,” rather than specifying the particular subgoals or goals the activities support.

To help DCOE better link its activities to its goals, DCOE’s plan describes a number of management reviews that are to be conducted. For example, DCOE is to conduct a “review and analysis” process every 3 months to evaluate performance and reallocate resources used for DCOE’s daily activities to best meet DCOE’s mission and goals. A group, which includes representatives from the directorates and component centers, is to conduct monthly reviews of progress made toward achieving DCOE’s

subgoals and evaluate progress made in achieving the performance measures. Finally, the Strategy, Plans, and Programs directorate is to lead an annual review of DCOE's goals, subgoals, and associated performance measures. The intent of these reviews is in line with leading public-sector organizations we have studied that focus on aligning their activities to support their goals. These organizations assess the extent to which their activities contribute to meeting their mission and, when necessary, alter activities to more effectively and efficiently produce needed results. DCOE's management reviews, as described in its strategic plan, are consistent with these practices.

While the intent of DCOE's reviews is in accordance with practices we have identified as used by leading public-sector organizations, these management reviews as conducted are insufficient to ensure that DCOE's day-to-day activities and goals are aligned. For example, DCOE conducted a review-and-analysis session in July–August 2010. A DCOE official told us that the DCOE Resource Manager advised directorates to show how their activities supported DCOE's goals and subgoals. However, in the July–August 2010 review, none of DCOE's eight directorates fully explained how their activities supported DCOE's goals and subgoals. One directorate, for example, described activities related to TBI clinical standards of care guidelines. The directorate stated that these activities supported "Individual, Family, Unit, and Community Wellness." However, the directorate did not report on how these activities linked to DCOE's goals or subgoals, such as those related to collaborating with VA for TBI screening measures or disseminating best practice guidelines for the treatment of TBI. One DCOE official told us that DCOE did not want to burden the directorates with too much work in the reviews. However, without fully linking DCOE's day-to-day activities with its goals, DCOE may undertake activities that do not support its goals, diverting time and resources away from the organization's core goals.

DCOE's Strategic Plan Includes Tangible and Measurable Performance Measures, but Does Not Fully Describe How Their Achievement Will Support Attainment of DCOE's Goals

DCOE's strategic plan contains performance measures, almost all of which are tangible and measurable, for its subgoals. For example, one performance measure related to stakeholder involvement is, "At least 75 percent of identified stakeholders agree that DCOE is meeting their needs as determined by a DCOE administered stakeholder survey." This performance measure is tangible (it uses a survey instrument), and measurable (based on survey responses that can be counted). However, DCOE's strategic plan does not describe how achievement of the performance measures will support assessment of DCOE goals. Leading

organizations measure performance to track progress toward reaching goals, using performance measures tied to their goals.

Though DCOE's plan contains performance measures, it does not fully describe how the performance measures would help assess whether subgoals were met. For example:

- One subgoal states that DCOE is to collaborate with VA, institutions of higher education, research organizations, subject matter experts, and other appropriate public and private entities. The performance measure for that subgoal is tied to the results of a questionnaire, administered following a DCOE-organized event. Specifically, based on the performance measure, 75 percent of questionnaire responses must agree that the event improved collaboration with DCOE on PH and TBI issues. While postevent questionnaires, which are tangible and measurable, might provide information on whether some attendees or stakeholders viewed the event as collaborative, it is unclear how this performance measure would demonstrate how DCOE collaborated with each of the groups mentioned in the subgoal or how the collaboration would help DCOE achieve its goals.
- Another subgoal calls for DCOE to determine how distance learning technologies can be used to address the needs of audiences such as National Guard and Reserve members, transcending state and local resource constraints. The performance measure for this subgoal is to attain an increased usage rate of 3 to 5 percent of recommended courses by the last quarter of fiscal year 2011. While increased use of recommended courses may demonstrate that DCOE has determined how distance learning technologies can be used, the goal as written does not specify what recommended courses are referred to, and does not measure whether DCOE has assessed how the technologies can be used to address the particular needs of Guard and Reserve members.

Further, DCOE's plan contains subgoals that are multifaceted; however, the corresponding performance measures do not measure all facets of the subgoals. For example, one DCOE subgoal is to conduct stakeholder analysis to identify DCOE's target stakeholder groups, identify how best to meet the needs of these groups, and establish a strategic framework for forming global partnerships between DCOE and stakeholders. Because this subgoal has several components, a complete measurement of this subgoal would require performance measures related to (1) conducting the analysis, (2) identifying how to best meet the needs of targeted groups, and (3) establishing a framework for forming partnerships. DCOE's performance measures for this subgoal include (1) conducting an annual

stakeholder needs assessment, and (2) a target that at least 75 percent of identified stakeholders agree that DCOE is meeting their needs as determined by the DCOE-administered stakeholder survey. However, there is no measure of whether DCOE has created a framework for establishing global partnerships. We have found that leading results-oriented organizations use performance measurement to give managers information on which to base decisions and influence organizational behavior. It is unclear whether the stakeholder surveys in this performance measure will provide DCOE with information about the extent to which the needs of DCOE stakeholders are being met by the established framework, rather than some other program or activities. This could limit the ability of DCOE managers to gauge progress and make decisions about its programs or activities designed to meet stakeholder needs.

The inherent difficulty of creating performance measures, like those used for some of DCOE's functions and goals, may contribute to the weaknesses in some of DCOE's measures. For example, one of DCOE's functions includes evaluating suicide prevention programs. Suicide deaths and suicidal behaviors are relatively rare events, and there is not consensus on what constitutes suicidal behavior, making it difficult to evaluate the effectiveness of these programs, according to the U.S. Department of Health and Human Services' *National Strategy for Suicide Prevention*.³⁴ In addition, one goal—to collaborate within DOD, VA, and the community to provide visible leadership for PH and TBI programs and initiatives and promote a culture of support for warriors and families—is difficult to measure because it is not clearly oriented toward a measurable outcome. This goal relates to one of the purposes for DCOE set forth by Congress.³⁵ However, DCOE officials told us it has been a challenge for DCOE to design performance measures to track progress toward meeting this goal. Because the strategic plan does not fully describe how many of its performance measures support attainment of DCOE's goals, it is not clear how DCOE will track its progress toward meeting its goals.

³⁴U.S. Department of Health and Human Services, *National Strategy for Suicide Prevention: Goals and Objectives for Action* (Rockville, Md., 2001).

³⁵Specifically, the NDAA 2008 states that the Secretary of Defense is to ensure that the centers of excellence collaborate to the maximum extent practicable with VA, institutions of higher education, and other appropriate public and private entities (including international entities) to carry out their responsibilities. Pub. L. No. 110-181, §§ 1621(b), 1622(b), 122 Stat. 3, 453-54 (2008).

TMA Lacked Effective Controls for Assuring Compliance with OMB Guidance for Classification of Financial Obligations to Support Management Decision Making

TMA has not established effective controls for ensuring proper classification and recording of obligations, and it did not properly classify most of DCOE's fiscal year 2009 contract obligations. We observed TMA performance of certain internal control procedures over financial obligations, such as verifying accounting codes, reconciling data uploads between systems, and supervisory review. However, we found that TMA did not always document the performance of these control procedures to confirm that they were consistently implemented, identify any weaknesses, and take appropriate corrective action. Further, our tests of DCOE contract obligations showed that while TMA properly recorded the date and amount of the obligations, it did not properly classify \$102.7 million (91 percent) of DCOE's fiscal year 2009 contract obligations because it had not developed its own policies and procedures for properly recording obligations by subobject class. Our *Standards for Internal Control in the Federal Government* require written documentation of controls in management directives, administrative policies, or operating manuals.³⁶ Instead of developing its own procedures, TMA relied on guidance in the Washington Headquarters Services³⁷ (WHS) *Budget and Accounting Classification Manual*.³⁸ However, this guidance was not consistent with 10 U.S.C. § 2212 and current OMB Circular No. A-11 guidance, which DOD and other federal agencies are required to follow.³⁹ WHS officials stated that this guidance was not intended to be used by DOD organizations that use different accounting systems, such as TMA. In addition, we determined that object class coding in the financial management systems that TMA uses did not meet requirements in DOD's *Financial Management Regulation*⁴⁰ with regard to object class. Further,

³⁶GAO/AIMD-00-21.3.1.

³⁷Washington Headquarters Services (WHS) is a DOD field activity that provides consolidated administrative and operational support to several defense agencies, DOD field activities, and various elements of the military departments, the White House, and to some degree, Congress. WHS was established to remove operating functions from the Office of the Secretary of Defense in order to refocus these staff on matters involving policy analysis and oversight.

³⁸See Washington Headquarters Services, *Budget and Accounting Classification Manual*, "Object Classification Codes," ch. 8, <http://www.whs.mil/fmd/budget/> (accessed Aug. 5, 2010).

³⁹OMB, Circular No. A-11, *Preparation, Submission, and Execution of the Budget*, pt. 2, sec. 83 (Washington, D.C., July 21, 2010).

⁴⁰DOD, *Financial Management Regulation*, vol. 1, app. A, requires DOD components to follow the OMB guidance. OMB guidance on object classifications for advisory and assistance contracts is based on requirements in 10 U.S.C. § 2212 and FAR 2.101(b).

TMA did not ensure that its system administrator updated object class tables in financial systems used by TMA as required by OMB Circular No. A-127.⁴¹

As shown in table 2, our analysis of fiscal year 2009 contract-related subobject class codes used by TMA showed significant differences when compared to OMB guidance. For example, TMA improperly classified obligations for “advisory and assistance services” under the subobject class for “other services.” OMB guidance provides definitions for subobject class codes within object class 25 that are indicated by a third digit. Subobject class codes provide more specific information for management decision making by distinguishing, for example, between obligations for advisory services, medical care, equipment maintenance, and various other subobject classifications.

Table 2: Comparison of OMB and TMA Subobject Classifications for Object Class 25, Other Contractual Services

OMB (3-digit) subobject class	OMB-designated object classifications	Object classifications used by TMA for DCOE obligations
25.1	Advisory and assistance services	Equipment maintenance
25.2	Other services	Advisory and assistance services
25.3	Other purchases of goods and services from government accounts	Motion picture, television, and radio services
25.4	Operation and maintenance of facilities	Audiovisual services
25.5	Research and development contracts	Official representation funds
25.6	Medical care	Support services provided by federal government
25.7	Operation and maintenance of equipment	Training
25.8	Subsistence and support of persons	Waste disposal, safety, and occupational health services
25.9 ^a	n.a.	Computer-related services, military clothing, and miscellaneous ^a

Source: GAO analysis of OMB Circular No. A-11 and TMA data.

Notes: n.a. stands for not applicable.

^aThis is not a valid subobject class in OMB Circular No. A-11.

⁴¹OMB, Circular No. A-127, *Financial Management Systems* (Washington, D.C., Jan. 9, 2009).

Accurate object classification data provide important governmentwide information and, as such, are reported in the *Budget of the U.S. Government*. DCOE obligations by object class are summarized in Budget *Appendix* data⁴² for the Defense Health Program operation and maintenance appropriation object class schedule as well as in the DOD section of a separate budget supporting document titled the *Object Class Analysis*.⁴³ TMA officials told us that they use object class data to develop the “Summary of Price and Program Changes” (referred to by DOD as Exhibit OP-32) for annual Defense Health Program budget submissions. In addition, the object class is a required data element in DOD’s *Financial Management Regulation*, which requires detailed object class information to be incorporated into DOD accounting systems, or derived from applicable expense and asset accounts, to allow for reporting by object class.

As shown in table 3, our analysis of DCOE supporting documentation and OMB Circular No. A-11 guidance showed that TMA misclassified \$102.7 million of the nearly \$112 million in DCOE fiscal year 2009 obligations recorded to object class 25, “Other contractual services.” Appendix III provides additional detail on our analysis of DCOE’s fiscal year 2009 obligations.

⁴²OMB, *Budget of the United States Government, Fiscal Year 2011* (Washington, D.C., Feb. 1, 2010), <http://www.whitehouse.gov/omb/budget/Overview> (accessed on Nov. 15, 2010). The fiscal year 2011 budget reported data on fiscal year 2009 obligations.

⁴³OMB, *Budget of the United States Government, Fiscal Year 2009, Appendix* (Washington, D.C., Feb. 4, 2008), <http://www.gpoaccess.gov/usbudget/fy09/appendix.html> (accessed on Nov. 15, 2010).

Table 3: GAO Analysis of TMA Classification of Fiscal Year 2009 DCOE Obligations

OMB (2-digit) object class	Object class title	TMA-recorded amount	GAO adjustments to remove TMA misclassified amounts	GAO adjustments to reclassify previously recorded amounts	GAO- determined amount
11	Personnel compensation	\$1,553,597	\$0	\$281,250	\$1,834,847
12	Personnel benefits	417,905	0	0	417,905
21	Travel and transportation of persons	1,107,095	0	0	1,107,095
22	Transportation of things	0	0	610	610
23	Rent, communications, and utilities	2,066,309	0	71,057	2,137,366
24	Printing and reproduction	45,200	0	0	45,200
25	Other contractual services, total	112,306,040	-102,723,185	102,370,268	111,953,123
OMB (3-digit) subobject classes for "Other contractual services"					
25.1	Advisory and assistance services	0	0	91,026,081	\$ 91,026,081
25.2	Other services	100,605,208	-91,022,353	10,359,438	19,942,293
25.3	Other purchases of goods and services from government accounts	3,767,389	-3,767,389	0	0
25.4	Operation and maintenance of facilities	2,314,000	-2,314,000	0	0
25.5	Research and development contracts	0	0	0	0
25.6	Medical care	5,242,190	-5,242,190	0	0
25.7	Operation and maintenance of equipment	285,588	-285,588	984,749	984,749
25.8	Subsistence and support of persons	0	0	0	0
25.9 ^a	Computer-related services, military clothing and miscellaneous ^a	91,665	-91,665	0	0
26	Supplies and materials	1,046,248	0	0	1,046,248
31	Equipment	616,124	0	0	616,124
Total obligations		\$119,158,518	-\$102,723,185	\$102,723,185	\$119,158,518

Source: GAO analysis of OMB Circular No. A-11 and TMA data.

^aThis is not a valid subobject class in OMB Circular No. A-11.

We discussed the misclassifications with TMA officials. At that time, TMA was compiling information to respond to the Defense Secretary's Efficiency Initiative,⁴⁴ which will be achieved, in part, by cutting advisory and assistance contracts. The officials told us they recognized the risk of inaccurate object class information, and to reduce this risk, they used time-intensive, manual workarounds and information requests to obtain accurate information for departmentwide analyses. To avoid Efficiency Initiative budget cuts to critical DCOE services contracts, TMA identified advisory and assistance services contract obligations and separated these obligations into two categories to distinguish contracts for critical specialty positions (those for counselors, nurses, and doctors)⁴⁵ from contracts for program and management support. The officials also told us they were concerned that cuts affecting program and management support contracts could have an adverse effect on DCOE programs and activities because DCOE has relied on service contracts for program and management support to compensate for delays in staffing government positions. However, manual processes are costly and error prone. Recording obligations to the proper object classification within the financial management systems would provide DOD with reliable data on advisory and assistance services contracts in an efficient, more cost-effective manner.

According to DOD officials, the object classification problems, referred to above, extend beyond TMA. At least 12 other defense organizations, including the DOD Inspector General and Army Test and Evaluation Command, used either the same legacy accounting system or WHS guidance as TMA, and would have improperly classified contract obligations in fiscal year 2009. As a result of our work, DOD system administrators updated the fiscal year 2011 object class tables in the WHS accounting system that TMA uses to comply with current OMB guidance. In addition, WHS updated the object class information in its *Budget and Accounting Classification Manual* used by some other defense agencies to comply with fiscal year 2011 OMB guidance; however, the updated manual did not assign responsibility for updating the affected financial

⁴⁴On August 9, 2010, the Secretary of Defense announced the Efficiency Initiative intended to contribute to a DOD effort to achieve about \$100 billion of savings over the next 5 years.

⁴⁵While the actual care for servicemembers with TBI/PH as well as wounded, ill, and injured servicemembers is provided in military hospitals, there are a number of TMA contracts that oversee policy and program development and oversight of the TBI/PH and wounded, ill, and injured programs. These contracts provide for contractor staff with special medical skills to provide staff augmentation support.

management systems. While these are positive steps, TMA has not yet developed written procedures that provide detailed instructions on the steps to be performed in reviewing DCOE obligation data to ensure proper classification and recording in TMA's financial management systems or established formal responsibility for updating procedural guidance and systems codes to assure the accuracy of object classification information going forward.

Conclusions

DCOE has faced several challenges since its inception in November 2007. Some of these challenges fall mainly outside the organization's control, such as staffing and reliance on TMA for financial management. However, DCOE officials contend that DCOE's unfocused mission has been exacerbated by unfocused leadership. This lack of focus is manifested in DCOE's strategic plan, specifically, in the incomplete alignment of DCOE's daily activities and its mission and goals, and in performance measures that do not allow DCOE to assess whether it has attained its goals. Gaps in DCOE's strategic planning efforts could hinder its ongoing development, as well as DOD's overall effort to develop excellence in PH and TBI care for injured and recovering servicemembers.

A sound strategic plan is necessary for DCOE to lead DOD's efforts to develop excellence in prevention, outreach, and care for servicemembers with PH and TBI conditions. As DCOE strives to achieve its mission and goals and provide accountability for its operations, sustained and focused leadership will be important for DCOE to prioritize important activities, ensure all officials and stakeholders understand DCOE's role, and carry out its important statutory mandate.

TMA lacks sufficient, written internal control procedures for proper classification and recording of obligations and has not assigned formal responsibility for assuring that systems codes for obligation classifications are consistent with annual OMB guidance. Without documented procedures, there is an increased risk that obligation recording and monitoring activities will not be performed accurately and consistently, which can lead to unreliable reporting of DCOE data. Accurate and consistent classification of obligations is fundamental to management decision making.

Recommendations for Executive Action

To address weaknesses in DCOE's strategic plan we recommend that the Secretary of Defense through the Director of TMA direct the DCOE director to

- revisit and revise as necessary the organization's goals for completing statutorily required responsibilities,
- require the directorates to align their day-to-day activities to support DCOE's mission and goals, and
- improve the performance measures in the plan to enable DCOE to determine if achievement of each measure fully supports attainment of its associated goal.

To ensure that DCOE obligations are properly classified and recorded in accordance with OMB guidance, we recommend that the Secretary of Defense through the ASD(HA) direct TMA to

- develop written procedures with detailed steps to be performed for ensuring proper classification and recording of obligations in TMA's financial management systems and
- assign responsibility for updating and maintaining procedural guidance and systems codes to assure consistency with annual OMB guidance.

Agency Comments and Our Evaluation

We provided a draft of this report to DOD for comment and received a written response on February 2, 2011, which is reprinted in Appendix IV. DOD also provided technical comments that were incorporated into the report as appropriate. While DOD said it concurred with all five of our recommendations, we believe that the agency's stated actions for two of these—aligning DCOE's day-to-day activities to support its mission and goals and developing written policies and procedures for proper classification and recording of obligations—do not fully address the intent of our recommended actions. The following discussion summarizes DOD's response to our recommendations and our evaluation of the department's response.

We believe that DOD's planned actions for three of our recommendations would be sufficient, if effectively implemented. Specifically, DOD stated that DCOE senior leadership is currently reviewing DCOE's strategic plan to confirm and clarify DCOE's mission. In addition, DOD noted that this review is also intended to better ensure that DCOE's strategies are linked to particular performance measures that describe desired changes. DOD stated that outcome-oriented performance measures will be developed with input from primary stakeholders who may directly influence or be impacted by the outcome. DOD stated that it agreed in principle with our

recommendation for TMA to assign responsibility for updating and maintaining procedural guidance and systems codes to assure consistency with annual OMB guidance. However, DOD's response indicated that the department believed our recommendation was calling for decentralization. This is not our point. Our recommendation recognizes that sound internal control requires a shared management responsibility for ensuring that the guidance being followed is current. This shared responsibility is consistent with DOD's statement that TMA relies heavily on service providers, particularly the Defense Finance and Accounting Service (DFAS), for both transaction processing and financial statement preparation. DOD stated that TMA agrees that efficiency and effectiveness are best served if the service provider gets it right in the first place and that customers need to remain diligent in ensuring that the service provider follows current procedures that are consistent with annual OMB guidance. DOD noted that TMA will seek to incorporate this practice into the future design and testing of internal controls as it moves to a new systems environment.

With respect to our recommendation that DCOE require directorates to align their day-to-day activities to support DCOE's mission and goals, although DOD stated its concurrence, it is unclear whether DCOE's planned actions fully address the recommendation. DOD's response notes that DCOE implemented a quarterly review and analysis process in fiscal year 2010 that required directorates to provide information on activities and their impact on DCOE's goals and mission. However, during our review of DCOE's implementation of its review and analysis process, we found that none of DCOE's eight directorates fully aligned their activities to DCOE's goals and subgoals. In its comments, DOD said that to ensure DCOE is aligning resources and business unit responsibilities to achieve results clearly linked to organizational goals, DCOE is augmenting its review and analysis process by incorporating leadership strategy reviews focused on evaluating performance in achieving their strategic goals. These reviews will improve DCOE's capabilities to make needed resource and strategy adjustments and align and communicate DCOE's strategy to business units, according to DOD. While these additional leadership strategy reviews may help DCOE in its overall strategic planning efforts, DOD's response does not describe how these leadership reviews will complement DCOE's existing management reviews to better align DCOE's activities and goals. Without knowing how the leadership reviews will be conducted to better ensure that DCOE's review and analysis process is effectively implemented, we have no assurance that it adequately addresses our recommendation.

With regard to our recommendation that TMA develop and maintain written procedures for proper classification and recording of obligations, DOD indicated that TMA meets the documentation principle through its compliance with the Office of the Secretary of Defense (Comptroller) (OUSD(C)) annual internal control assessment requirements under OMB Circular No. A-123, Appendix A, "Internal Control over Financial Reporting Guidance." We disagree. OMB Circular No. A-123 requires agency management to assess the internal controls over financial reporting and document and report the results of this assessment. However, the Circular first calls for agencies to develop and implement appropriate, cost-effective internal controls for results-oriented management, and then requires an assessment of the controls, needed improvements, and corrective actions.⁴⁶ During the audit, we determined and TMA acknowledged that it did not have written procedures that described control activities for properly classifying and recording obligations. Because DOD did not specifically state that TMA would develop and maintain policies and procedures for proper classification and recording of obligations, we are reiterating our recommendation that the Secretary of Defense through the ASD(HA) direct TMA to do so. Without effective, written policies and procedures, DCOE likely will continue to have unreliable data for management decision making.

We are sending copies of this report to the Secretary of Defense and appropriate congressional committees. In addition, the report is available at no charge on the GAO Web site at <http://www.gao.gov>.

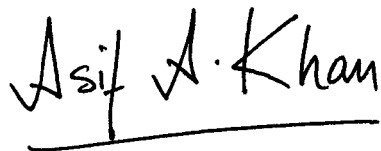
If you or your staffs have any questions about this report, please contact Randall B. Williamson at (202) 512-7114 or williamsonr@gao.gov, or Asif A. Khan at (202) 512-9869 or khana@gao.gov. Contact points for our Offices

⁴⁶OMB Circular No. A-123, Appendix A, *Internal Control over Financial Reporting Guidance*, sec. 4.

of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix V.

A handwritten signature in black ink that reads "Randall B. Williamson". The signature is written in a cursive style with a large, prominent "R" and "W".

Randall B. Williamson
Director, Health Care

A handwritten signature in black ink that reads "Asif A. Khan". The signature is written in a cursive style with a large, prominent "A" and "K".

Asif A. Khan
Director, Financial Management and Assurance

Appendix I: List of Requesters

The Honorable Daniel K. Inouye
Chairman
The Honorable Thad Cochran
Ranking Member
Subcommittee on Defense
Committee on Appropriations
United States Senate

The Honorable C. W. Bill Young
Chairman
The Honorable Norman D. Dicks
Ranking Member
Subcommittee on Defense
Committee on Appropriations
House of Representatives

Appendix II: Scope and Methodology

To determine the challenges that the Defense Centers of Excellence for Psychological Health and Traumatic Brain Injury (DCOE) has faced in its development, we interviewed DCOE and other officials about DCOE's development. Because DCOE is an operating entity within TRICARE Management Activity (TMA) and organizationally located in the Office of the Assistant Secretary of Defense (Health Affairs) (ASD(HA)), we also interviewed the Deputy Director, TMA, and the Acting Principal Deputy ASD(HA). From these interviews, we identified a number of challenges faced by DCOE. To better understand the scope and origin of these challenges, as well as DCOE's responses, we obtained documents related to the challenges, such as the evolution of DCOE's mission, governance, and staffing. We grouped the identified challenges into 13 categories, and sent this list in a follow-up document to DCOE's senior executive staff, directorate directors, and component center directors—a total of 18 recipients. The document asked recipients to identify the three challenges that have had the most significant effect on DCOE's development. The list included an option for recipients to write in alternative challenges.

Seventeen recipients responded; of these, 13 provided identifying information. We conducted follow-up interviews with available officials (12 respondents).¹ During this second round of interviews, we asked DCOE and DOD officials about the effects of the challenges on DCOE, and obtained more details about DCOE's responses to the challenges. Following review of additional evidence to gain a better understanding of the underlying challenges, we framed these challenges for reporting purposes.

To evaluate the extent to which DCOE's strategic plan aligns with key practices for strategic planning used by leading public-sector organizations, we assessed DCOE's strategic plan using the Government Performance and Results Act (GPRA). We have reported that GPRA has established a solid foundation for results-oriented planning, and used GPRA to analyze the strategic plans of various agencies.² DCOE is not an agency for the purposes of GPRA's strategic planning requirement and is

¹One respondent left DCOE before we could conduct a follow-up interview.

²GAO, *Managing for Results: Critical Issues for Improving Federal Agencies' Strategic Plans*, [GAO/GGD-97-180](#) (Washington, D.C.: September 1997). In this report, we described our analysis of 27 agencies' draft strategic plans using GPRA criteria.

not required to comply with GPRA.³ However, we have found that leading public-sector organizations conduct strategic planning and develop strategic plans that are consistent with GPRA, and that organizations like DCOE can benefit from strategic planning consistent with GPRA.⁴ For example, we have found that leading public-sector organizations commonly (1) define clear missions and desired outcomes; (2) measure performance to gauge progress; and (3) use performance information as a basis for decision making. While these leading organizations were not acting under GPRA, the steps they took were consistent with GPRA.

We confirmed with DCOE officials the documents that constitute DCOE's strategic plan, and reviewed these documents. These documents are: (1) *Campaign Plan for DCOE Operations and Activities: 2010-2016* (June 2010); (2) *Defense Centers of Excellence for Psychological Health and Traumatic Brain Injury Concept of Operations* (June 2010); and (3) DCOE's fact sheets.⁵

To assess DCOE's strategic plan, we used a data-collection instrument, taken from *Agencies' Strategic Plans Under GRPA: Key Questions to Facilitate Congressional Review*.⁶ We developed these questions to provide members of Congress and agency officials with a starting point for fruitful dialogue and to help Congress determine how agencies' plans, developed in response to GPRA, could be improved. We reviewed DCOE documents, including all of the documents constituting DCOE's strategic plan. Further, we interviewed DCOE officials, including those involved in the early planning efforts for DCOE.

³For purposes of GPRA's strategic planning requirement, an agency is defined as an executive department, a government corporation, and an independent establishment, but does not include the Central Intelligence Agency, GAO, the United States Postal Service, and the Postal Regulatory Commission. See 5 U.S.C. § 306(f).

⁴GAO, *Executive Guide: Effectively Implementing the Government Performance and Results Act*, [GAO/GGD-96-118](#) (Washington, D.C.: June 1996). For this report, GAO studied a number of leading public sector organizations that were successfully becoming more results-oriented, including state governments such as Florida, Texas, and Virginia; and foreign governments such as Australia and the United Kingdom.

⁵DCOE's fact sheets are to describe, among other things, DCOE's activities, budget, staffing, stakeholders, and contracts. The *Campaign Plan* and *Concept of Operations* are dated June 2010; the fact sheets range in dates from December 2009 to January 2010.

⁶GAO, *Agencies' Strategic Plans Under GPRA: Key Questions to Facilitate Congressional Review*, [GAO/GGD-10.1.16](#) (Washington, D.C.: May 1997).

To determine to what extent internal controls provide reasonable assurance that DCOE information on financial obligations is reliable for management decision making, we reviewed internal control criteria related to reliably reporting financial data as defined in GAO's *Standards for Internal Control in the Federal Government and Internal Control Management and Evaluation Tool*⁷ and compared these criteria to observations during our walkthroughs and responses received from TMA and DCOE officials about their financial management operations, processes and procedures used to obligate DCOE funds, and related internal controls. We interviewed TMA officials about how object class data are collected and what policies and controls are used to help ensure these data are accurate. We conducted preliminary electronic tests of the obligation data for missing and out-of-range data.

In addition, we performed detailed testing of approximately 95 percent of the total \$119.2 million in DCOE obligations for fiscal year 2009, including 100 percent of DCOE contract obligations, to determine if the amounts were properly recorded and classified.⁸ Because the majority of DCOE obligations were recorded to object class 25, "other contractual services," we tested 100 percent of these transactions for appropriate time period, accurate amount, and proper classification by subobject class (3-digit level). We also tested five psychological health-related obligation transactions with the highest dollar value (amounting to \$30.8 million out of the total \$88.6 million) and the two traumatic brain injury-related obligation transactions with the highest dollar value (amounting to \$29.5 million out of the total \$30.1 million), and one procurement obligation for equipment totaling \$0.5 million. From the remaining population of TMA-recorded DCOE obligations (amounting to \$58.4 million), we selected a random sample of 15 obligation transactions. We tested the date, obligation amount, and classification of our sample items against source documents. We compared the object classification codes in OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget*⁹ to TMA financial records for these transactions

⁷GAO, *Internal Control: Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999) and *Internal Control Standards: Internal Control Management and Evaluation Tool*, [GAO-01-1008G](#) (Washington, D.C.: August 2001).

⁸Fiscal year 2009 was the most recently completed fiscal year for which data were available at the time we initiated our audit.

⁹OMB, Circular No. A-11, *Preparation, Submission, and Execution of the Budget*, pt. 2, sec. 83 (Washington, D.C., July 21, 2010).

to determine if DCOE obligations were properly classified for fiscal year 2009. In addition, we analyzed information from supporting contract documents to determine the proper classification of each contract as presented in table 5 in appendix III.

We conducted this performance audit from January 2010 through February 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix III: Fiscal Year 2009 Defense Centers of Excellence Financial Obligations

This appendix presents the results of our assessment of the accuracy of fiscal year 2009 obligations recorded for the Defense Centers of Excellence for Psychological Health and Traumatic Brain Injury (DCOE). The purpose of our analysis was to determine whether DCOE obligations were properly recorded at the (1) detailed (2-digit) budget object class level and (2) subobject class (3-digit) level. We based our assessment on our analysis of documentation for DCOE obligations and Office of Management and Budget (OMB) Circular No. A-11 guidance for proper classification of obligations.¹

Table 4 shows our analysis of the \$119.2 million in recorded fiscal year 2009 DCOE obligations by detailed (2-digit) budget object classes. Detailed object classes include, among others, personnel compensation; personnel benefits; rent, communications, and utilities; other contractual services; supplies and materials; and equipment. Of the total \$119.2 million in DCOE fiscal year 2009 obligations recorded by the TRICARE Management Agency (TMA), nearly \$112 million related to contractual services obligations (object class 25). Our analysis of DCOE supporting documentation (obligating documents) and comparison with OMB Circular No. A-11 guidance identified misclassifications of obligations across object classes. Our reclassification of the obligations based on supporting documentation and Circular No. A-11 guidance showed that 94 percent of DCOE's total obligations for fiscal year 2009 related to object class 25, "other contractual services."

¹OMB, Circular No. A-11, *Preparation, Submission, and Execution of the Budget*, pt. 2, sec. 83, (Washington, D.C., July 21, 2010).

Table 4: GAO Analysis of Fiscal Year 2009 DCOE Obligations

OMB 2-digit object class	Object class title	TMA classification	GAO reclassification	Percentage of total obligations based on GAO reclassification
11	Personnel compensation	\$1,553,597	\$1,834,847	1.5%
12	Personnel benefits	417,905	417,905	0.4
21	Travel and transportation of persons	1,107,095	1,107,095	0.9
22	Transportation of things	0	610	^a
23	Rent, communications, and utilities	2,066,309	2,137,366	1.8
24	Printing and reproduction	45,200	45,200	
25	Other contractual services	112,306,040	111,953,123	94.0
26	Supplies and materials	1,046,248	1,046,248	0.9
31	Equipment	616,124	616,124	0.5
Total DCOE obligations		\$119,158,518	\$119,158,518	100.0%

Source: GAO analysis of TMA data.

^aDenotes more than zero, but less than .1.

Table 5 shows the results of our analysis of DCOE fiscal year 2009 contractual services obligations by subobject class (type of contractual services). The majority of DCOE's fiscal year 2009 contractual services obligations were for advisory and assistance services contracts. Consistent with 10 U.S.C. § 2212 and the *Federal Acquisition Regulation*, 2.101(b), Office of Management Budget guidance in Circular No. A-11, Part 2, Section 83, defines subobject class 25.1 as including (1) management and professional support services; (2) studies, analyses, and evaluations; and (3) engineering and technical services. As shown in table 5, DCOE advisory and assistance service obligations fall into the first two categories.

A significant amount (70 percent) of DCOE's nearly \$91 million in fiscal year 2009 advisory and assistance services obligations (subobject class 25.1) were for management and professional support services. According to TMA officials this is because of the lag in DCOE staffing.

Table 5: Description of Fiscal Year 2009 Services Acquired and Obligation Amounts of DCOE Obligations for Other Contractual Services

Description of services acquired by subobject	Obligation amount
25.1 Advisory and assistance services	
Management and professional support services	
Administrative, clinical, financial management and programmatic support - DCOE	\$24,033,649
DCOE staff training	4,338
Program management support – Defense and Veterans Brain Injury Center	29,110,182
Program management support – Telehealth and Technology Center	5,983,571
Program management support – National Intrepid Center of Excellence	4,454,913
Studies, analyses, and evaluations	
Identify and evaluate the effectiveness of Department of Defense (DOD) programs designed to support PH and TBI	2,000,000
Evaluation of servicemember and family education needs about TBI	125,000
Study for the Caring Letters Project to improve suicide surveillance efforts with the Army	490,616
Understand the effects of deployment on military families and identify the antecedents and consequences of family readiness by collecting longitudinal data from Navy, Air Force, and Marine families across the deployment cycle	3,500,000
Catalog and evaluate DOD suicide prevention activities to identify implications for enhancing DOD programs	175,000
Review of literature and best practices for promoting resilience	275,000
Conducting a comparative study of resilience-building programs within DOD	2,571,322
Identify and evaluate the effectiveness of Department of Defense (DOD) programs designed to support PH and TBI	2,000,000
Evaluation of servicemember and family education needs about TBI	125,000
Study for the Caring Letters Project to improve suicide surveillance efforts with the Army	490,616
Understand the effects of deployment on military families and identify the antecedents and consequences of family readiness by collecting longitudinal data from Navy, Air Force, and Marine families across the deployment cycle	3,500,000
Catalog and evaluate DOD suicide prevention activities to identify implications for enhancing DOD programs	175,000
Review of literature and best practices for promoting resilience	275,000
Conducting a comparative study of resilience-building programs within DOD	2,571,322
Event planning, conference support services, and logistical support for DCOE conferences, working groups, and meetings.	2,848,594
Evaluation of best practices	6,165,158
Identification of best practices	5,166,698
Dissemination of best practices	4,122,040

**Appendix III: Fiscal Year 2009 Defense
Centers of Excellence Financial Obligations**

Description of services acquired by subobject	Obligation amount
Engineering and technical services	
None	0
25.1 Advisory and assistance services, subtotal	91,026,081
25.2 Other services	
Sesame "Death of a Loved One" program DVD kits targeting young children within military families	2,314,000
Sesame Web portal to provide for a Web site to target young children within military families	48,322
Afterdeployment.org	4,370,774
Establishment of a 24/7 outreach call center that provides a toll-free number for those seeking information on PH and TBI	5,877,714
Real Warriors Campaign - Planning, developing, execution, and program evaluation of a national public awareness designed to impact beliefs, attitudes, and behaviors about seeking care for, and dispelling stigma about psychological health (PH) and traumatic brain injury (TBI) issues	3,065,720
Present readings of Sophocles' Ajax and Philoctetes to military communities across America	3,767,389
Develop, implement, and maintain a virtual space in Second life	498,374
25.2 Other services, subtotal	19,942,293
25.7 Operation and maintenance of equipment	
Network operations support—DCOE	984,749
25.7 Operation and maintenance of equipment, subtotal	984,749
Total obligations for other contractual services	\$111,953,123

Source: GAO analysis of TMA and DCOE data.

Appendix IV: Comments from the Department of Defense



THE ASSISTANT SECRETARY OF DEFENSE

1200 DEFENSE PENTAGON
WASHINGTON, DC 20301-1200

HEALTH AFFAIRS

FEB - 2 2011

Mr. Randall Williamson
Director, Health Care
U.S. Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

Dear Mr. Williamson:

This is the Department of Defense (DoD) response to the Government Accountability Office (GAO) Draft Report GAO-11-219, "DEFENSE HEALTH: Management Weaknesses at Defense Centers of Excellence for Psychological Health and Traumatic Brain Injury," dated December 22, 2010 (GAO Code #290826).

Thank you for the opportunity to review and provide comments. Overall, the Department concurs with the draft report's findings and conclusion. Our responses to the recommendations are enclosed.

In addition, we have enclosed technical comments to clarify several facts and statements discussed in the draft report to make the final report as useful a tool as possible. The Department will take the necessary steps to meet the spirit of the GAO recommendations.

Again, thank you for your review and the opportunity to respond. The points of contact on this issue are Ms. Anne Giese (Functional (301) 295-3687) and Mr. Gunther Zimmerman (Audit Liaison (703) 681-4360).

Sincerely,

A handwritten signature in dark ink, appearing to read "George Peach Taylor, Jr.".

George Peach Taylor, Jr., M.D.
Acting Principal Deputy

Enclosures:
As stated

GAO DRAFT REPORT – DATED DECEMBER 2010
(GAO CODE-290826/GAO-11-219)

“DEFENSE HEALTH: MANAGEMENT WEAKNESSES AT DEFENSE CENTERS OF
EXCELLENCE FOR PSYCHOLOGICAL HEALTH AND TRAUMATIC BRAIN
INJURY”

DEPARTMENT OF DEFENSE COMMENTS TO THE RECOMMENDATIONS

To address weaknesses in the Defense Center of Excellence (DCoE) for Psychological Health and Traumatic Brain Injury strategic plan, we recommend that the Secretary of Defense, through the Director of TMA, direct the DCoE Director to:

RECOMMENDATION #1: Revisit and revise as necessary the organization's goals for completing statutorily required responsibilities.

DoD RESPONSE: Concur. DCoE's priorities have been influenced by a variety of external stakeholder interests in addition to its statutorily required responsibilities resulting in a need for improved mission focus and a prioritized strategic portfolio. The DCoE Senior Leadership is currently reviewing its strategic plan. The goal is to confirm and clarify its mission, strategies, and to establish specific outcome-focused high priority performance goals. Completion of congressional requirements and other programs services demonstrating value are being explicitly identified as a priority.

RECOMMENDATION #2: Require the directorates to align their day-to-day activities to support DCOE's mission and goals

DoD RESPONSE: Concur. DCoE established a quarterly management review and analysis process during the second quarter of the 2010 fiscal year. Three reviews have been conducted to date. These reviews required Directorates to provide information on business unit activities, impact on DCoE's mission, quarterly goals, and resource justification. There is inherent difficulty reviewing operational processes at the same time as strategic goals. To ensure DCoE is aligning resources and business unit responsibilities to achieve results clearly linked to organizational goals, DCoE is incorporating leadership strategy reviews focused on evaluating performance in achieving our strategic goals to augment a tactical level management review. This will improve DCoE's capabilities to make needed resource and strategy adjustments and align and communicate DCoE's strategy to business units.

RECOMMENDATION #3: Improve the performance measures in the plan to enable DCoE to determine if achievement of each measure fully supports attainment of its associated goal.

DoD RESPONSE: Concur. DCoE recognizes that it is lacking performance goals and measures that are directly linked to our three strategic goals. Several performance measures exist that relate to congressionally defined requirements and other expected results. However, these measures may not sufficiently reflect achievement of these tasks or, collectively, the

achievement of DCoE's three strategic goals. DCoE Senior Leadership is currently reviewing its strategic plan to ensure each strategic goal includes a limited number of outcomes – oriented performance measures that will describe what the organization seeks to change and the strategic measures may have associated tactical measures subject to more frequent operational and process monitoring. These strategic performance measures will be developed with input from our primary stakeholders who may directly influence or be impacted by the outcome.

To ensure that DCoE obligations were properly classified and recorded in accordance with OMB guidance, we recommend that the Secretary of Defense, through the Assistant Secretary of Defense for Health Affairs (ASD(HA)), direct TMA to:

RECOMMENDATIONS #4 & 5:

4. Develop written procedures with detailed steps to be performed for ensuring proper classification and recording of obligations in TMA's financial management systems and
5. Assign responsibility for updating and maintaining procedural guidance and systems codes to assure consistency with annual OMB guidance.

DoD RESPONSE: Concur. While TMA agrees in principle with the above recommendations, there are some additional factors that need to be taken into account in effectively implementing them.

While TMA is responsible for its own financial statements, TMA, like other DoD Components, relies heavily on service providers, particularly DFAS, for both transaction processing and financial statement preparation.

As GAO states in subject draft report (page 22), TMA, like DFAS, relied on Washington Headquarters Service (WHS) *Budget and Accounting Classification Manual*, which is not consistent with current OMB guidance. Apparently, so did several other DoD Components, as indicated on page 26.

It is not clear why internal control is better served at DoD level if procedures for object class codes become more decentralized down to a DoD field activity -- which is what GAO recommends. However, TMA does concur that while it is true that efficiency and effectiveness are best served if the service provider gets it right in the first place, it is also true that the service providers' customers need to remain diligent in ensuring that the service provider follows current procedures which are consistent with annual OMB guidance. TMA will seek to incorporate this into future design and testing of internal controls.

TMA follows Office of the Under Secretary of Defense Comptroller OUSD(C) Annual Guidance for assessing internal control. TMA has a Managers' Internal Control Program (MICP) based on the five internal control standards cited in *Standards for Internal Control in the Federal Government* (GAO/AIMD-00-21.3.1). Furthermore, TMA follows the annual *OUSD(C) A-123 Appendix A Internal Control over Financial Reporting Guidance*, including process documentation which includes internal controls. Current OUSD(C) communications call for DoD Components to enter into Service Level Agreements or Memoranda of Understanding with its service providers with respect to internal control issues. TMA is in the process of doing that

with DFAS.

GAO states on page 22 of the draft report: “Our *Standards for Internal Control in the Federal Government* require written documentation of controls in management directives, administrative policies, or operating manuals.” The exact language in GAO/AIMD-00-21.3.1 is as follows:

Appropriate Documentation of Transactions and Internal Control: Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation should appear in management directives, administrative policies, or operating manuals and may be in paper or electronic form. (GAO/AIMD-00-21.3.1; p 15)

TMA meets the documentation principle through its compliance with OUSD(C) annual internal control assessment requirements.

TMA is in the process of transitioning its accounting system from Washington Headquarters Services Accounting Allotment System to Defense Agencies Initiative. TMA is aware of the difficulty inherent in such transitions and seeks to ensure that resources spent on addressing the above recommendations are consistent with another principle cited in GAO/AIMD-00-21.3.1:

Internal Control Provides Reasonable Assurance, Not Absolute Assurance: Management should design and implement internal control based on the related cost and benefits (GAO/AIMD-00-21.3.1; p 6).

Corrective action has been taken with respect to the particular object class coding issue raised by GAO. Furthermore, with respect to GAO’s observation that the misclassification of object class has led to manual processes which are costly and error prone in identifying contracts subject to the DoD Efficiency Initiative (page 25), such manual processes would have been used for such a critical initiative in any event based on another internal control principle cited in GAO/AIMD-00-21.3.1:

Establishment and Review of Performance Measures and Indicators: These controls could call for comparisons and assessments relating different sets of data to one another so that analyses of the relationships can be made and appropriate actions taken (GAO/AIMD-00-21.3.1; p 14).

In summary, TMA will take steps to meet the spirit of the GAO recommendations, consistent with emerging DoD management initiatives, and will do so in a cost-effective manner, consistent with GAO internal control principles.

Appendix V: GAO Contacts and Staff Acknowledgments

GAO Contacts

Randall B. Williamson, (202) 512-7114 or williamsonr@gao.gov
Asif A. Khan, (202) 512-9869 or khana@gao.gov

Staff Acknowledgments

In addition to the contacts named above, Marcia Mann, Assistant Director; Mary Ellen Chervenik, Assistant Director; Gayle Fischer, Assistant Director; Jennie Apter; Carrie Davidson; Tony Eason; Lori Fritz; Sheila Miller; and Sara Rudow made key contributions to this report.

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